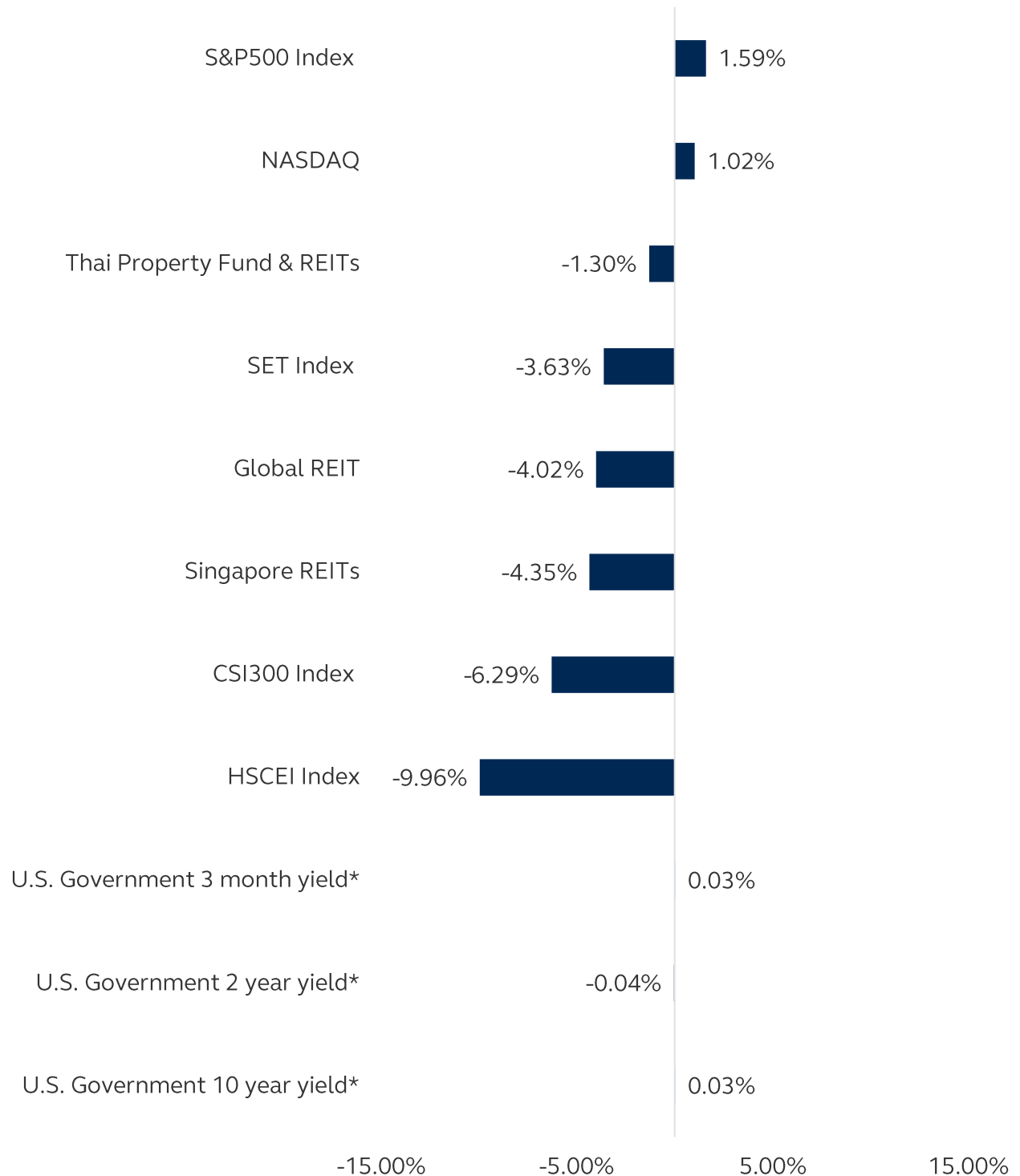


Market Outlook

1-month return (Dec 23-Jan 24)



\*Information illustrated percentage of bond yield change not return.

Source : Bloomberg, data as of 31 January 2024

Three major stock markets increased from last year, especially Japan. Japan market, NIKKEI225 index, continuously went up due to Yen depreciation, which benefited export sector and a clear progress towards the reform of corporate governance. Although there are concerns about global soft recession in 2024, the U.S. stock index, S&P 500 Index, has been surprisingly rising and reached its new high in January after Q4/2023 economic data and strong earnings announcements. STOXX600 index in Europe slightly went up as many economic indicators in Europe still disappointed the markets. In contrast, China stock markets, both A-Shares and H-Shares, reached the lowest level in the past three years. Although policymakers launched rescue package, backed by around 2 trillion yuan, for its stock markets. However, there are concerns about the middle and long-term sustainability of this policy. Investing in global property fund and REITs become more interesting after the price bottomed up after the last few years of a decrease thanks to the ending of rate hiking cycle. Thai property fund and REITs are laggard because of its own problems such as slower-than-expected export growth and the postponed digital wallet policy.

**Fixed Income:** After 10-year U.S. government bond yield drastically went down during the end of last year, it slightly rebounded 0.03% in January. As overall economic data like inflation aligned with markets expectation, the fixed income market did not change significantly. Moreover, investors are waiting for FOMC meeting in February. Thai government bond yield continuously decreased from last month. Thailand's inflation rate dropped for third months in a row, which was -0.3% from last month due to lower energy prices.

**Global Equity:** U.S. stock market increased by 1.59% from last month because most of economic indicators and stock earnings of Q4/2023 released was surprisingly better than market expectations. The Q4/2023 GDP grew 3.3% from last year (vs. 2% market expectation), mainly from consumer spending both in product and services. Japan stock market reached new high within 34 years from Yen currency depreciation, which benefited export sector, a clear progress towards the reform of corporate governance. STOXX 600 index in Europe slightly increased by 1.39% from positive earnings of brand name companies, while Europe's economic activities still were disappointed. In January, China stock markets, either A-Shares or H-Shares, reached its lowest level within three years. Q4/2023 economic data mixed as business and export data was revamped up while consumption activities stayed lower than expectations. For example, retail sale in December was 7.4% compared to last year (vs. 8% market expectation), resulting in low inflation rate. Inflation rate in December increased only 0.1% of previous month. However, China stock markets rose during the fourth week in January because of government stock market rescue policy. The policy mobilizes by 2 trillion yuan (around 10 trillion baht) to prop up its stock markets, but investors are cautious about the sustainability of this policy in medium and long term.

**Thai Equity:** SET Index had continuously dropped from last year end -3.63% mainly caused by net outflow from foreign investors around 3 billion baht within a month. Most of investors cannot see any significant economic drivers in Thailand and forecast that the country's GDP growth will be below government target this year due to an uncertainty of "Digital Wallet" policy. On top of that, exportation growth in 2023 disappointed that market with only 4.7% growth in 2023 (vs. 6% market expectation)

**Property funds and REITs:** Global REITs index declined by 4.02% because of a disappointment of rate cut postponed until the middle of this year while Thai property fund and REITs Index also dropped by 1.3% due to its own problems such as slower-than-expected export growth and an uncertainty of digital wallet funding.

## Asset Allocation Outlook

	UW	Slightly UW	Neutral	Slightly OW	OW
<b>Thai Fixed Income</b>	○	○	○	●	○
• Short-term	○	○	○	●	○
• Medium-term	○	○	○	●	○
<b>Equities</b>	○	○	●	○	○
• Global	○	○	●	○	○
• Thai	○	○	●	○	○
<b>REITs</b>	○	○	●	○	○

### Viewpoints reflect a 12-month horizon

indicates a change in preference from the previous month (light blue ○) to the current month (dark blue ●)

### Description of Asset Allocation Outlook table

- OW or Overweight : Allocate asset more than its benchmark
- Slightly OW or Slightly Overweight : Allocate asset slightly more than its benchmark
- Neutral : Allocate asset equal to its benchmark
- Slightly UW or Slightly Underweight : Allocate asset slightly less than its benchmark
- UW or Underweight : Allocate asset less than its benchmark

Our **fixed income** positioning remains slightly overweight, focusing on investment grade (IG) with the good quality as 10Y US treasury yield tends to go down as a result of cutting rate although the first time of cuts will be likely to happen during the middle of this year according to the latest Fed meeting. Our **equities** positioning is neutral. As US stock markets increased continuously and its valuation begins to be traded above average (Forward P/E 5 years), a shallow correction can be expected. However, monetary policies of the Fed has a tendency to ease, supporting stock markets. **REITs** is neutral because the Fed hikes peaked, and the Fed also indicated 3 cuts in 2024. Nevertheless, US recession should be closely monitored as it can cause a negative sentiment and REITs in developed markets will probably outperform that in domestic market because of its own problems. Selection wise, we prefer global REITs rather than domestic REITs.

**Caution:** Principal Asset Allocation Plan is a service providing advice on allocating investment portfolios by diversifying investment into various financial assets according to investor’s investment risk tolerance. Advisement is considered on market conditions to create or adjust balance portfolio, which will be monthly evaluated and adjusted investment mix or portfolio to ensure that the portfolio is well-diversified and consistent with investment outlooks. Due to market price changing from market conditions, the proportion of each asset may deviate from appropriate allocation. This may cause the portfolio to be at higher or lower risk than it should be. Principal Asset Allocation Plan is only advice from Principal Asset Management and investors may not receive return as expected. Investors should make sure that understand about basic investment allocation, recommended by SEC. / Investors should understand product characteristics (mutual funds), conditions of return and risk before making an investment decision.

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